# Property

## Buffers Against Higher-For-Longer Diesel Risk

**OVERWEIGHT**
(Maintained)

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## Highlights

- The sector posted solid residential sales (+7% yoy) for the reporting period, bucking the broader market trend of an 8% yoy decline in transaction value. Despite market concerns of rising unsold high-rise units, transaction prices held up in Selangor, KL and Johor while take-up rate for new launches remains healthy.
- While higher-for-longer diesel costs remain the key wild card, we expect the pass-through to be gradual, as steel prices remained contained due to industry oversupply.
- Maintain OVERWEIGHT on the sector's palatable valuations at 0.87x forward P/B (+0.5SD above mean), supported by: a) robust industrial momentum, b) solid residential property sales, and c) asset monetisation catalysts through potential REIT listings.

## Analysis

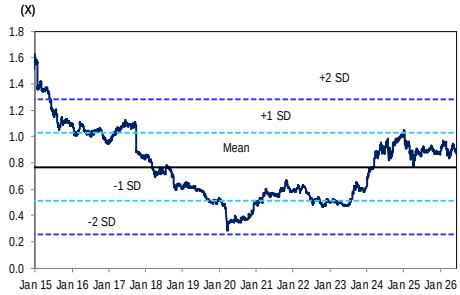
- **1Q26 results wrap.** 1Q26 earnings were mostly within expectations, given the fewer working days from major festivities this year and compulsory implementation of e-SPA on 1 Jan 26, except for: a) IOIPG, which exceeded the street's expectation due to recognition of Melaka land sales and; b) Matrix, which was below, due to slower sales conversion from the voluntary implementation of e-SPA in Nov 25 and lower margin from the recognition of KL and Australia projects during the quarter.
- **Residential sales remained resilient.** Essentially, the sector's domestic property sales grew by a solid 7% yoy for the reporting period. This excludes overseas and industrial sales, which contributed around 26% and 20% of total sector sales (+61% yoy to RM5.4b). This bucks the broader market trend, as NAPIC residential transaction value declined 8% yoy in 1Q26. Overall, 1Q26 sector sales accounted for 21% of developers' full-year sales target, which we deem on track given seasonality and the typically backloaded launch pipeline in 2H26. Looking ahead, we forecast sector sales growth of 7% yoy in 2026 and 6% in 2027.
- **Solid take-up rates for recent high rise launches.** Recent high-rise launches by Mah Sing and Eco World recorded healthy take-up rates, suggesting that demand remains intact for well-designed products. Meanwhile, completed inventories on developers' balance sheets continued to decline, falling 15% yoy as at end-25 for the sector. This reinforces our view that inventory pressure is more product- and location-specific.

### Sector Picks

| Company | Ticker | Rec | Share Price (RM) | Target Price (RM) |
|---|---|---|---|---|
| Eco World | ECW MK | BUY | 2.01 | 2.70 |
| Lagenda | LAGENDA MK | BUY | 1.41 | 1.88 |

*Source: Bloomberg, UOB Kay Hian*

### Sector One-Year Forward P/B At 0.87x




*Source: Bloomberg*

### Sector Discount To RNAV At 43%

*Source: NAPIC*

### Key Assumptions

| (%) | FY24 | FY25 | FY26F | FY27F |
|---|---|---|---|---|
| Revenue Growth | 17.4 | 7.1 | 19.3 | 11.1 |
| Net Profit Growth | 40.3 | 9.6 | 6.5 | 14.9 |
| Net Margin | 13.0 | 13.3 | 11.9 | 12.3 |

*Source: Respective companies, UOB Kay Hian*

### Peer Comparison

| Company | Ticker | Rec | Price 9 Jun 26 (RM) | Target Price (RM) | Upside To TP (%) | Last Year End | PE 2025A (x) | PE 2026E (x) | PE 2027E (x) | Yield 2026E (%) | ROE 2026E (%) | Market Cap. (RMm) | PB 2026E (x) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Eco World Development | ECW MK | BUY | 2.01 | 2.70 | 34.3 | Oct-25 | 15.8 | 12.2 | 10.9 | 4.1 | 8.3 | 6,478 | 1.0 |
| Lagenda Properties | LAGENDA MK | BUY | 1.41 | 1.88 | 33.3 | Dec-25 | 9.2 | 5.9 | 4.7 | 5.9 | 18.0 | 1,174 | 1.0 |
| Mah Sing Group | MSGB MK | BUY | 0.97 | 1.42 | 47.2 | Dec-25 | 10.8 | 9.2 | 8.3 | 5.7 | 6.6 | 2,471 | 0.6 |
| Matrix Concepts* | MCH MK | BUY | 1.21 | 1.72 | 42.1 | Mar-26 | 10.5 | 8.8 | 7.5 | 5.0 | 11.0 | 2,271 | 0.9 |
| SP Setia | SPSB MK | BUY | 1.01 | 1.22 | 20.8 | Dec-25 | 7.8 | 11.6 | 10.8 | 1.9 | 3.2 | 5,102 | 0.3 |
| Sunway Bhd | SWB MK | HOLD | 5.25 | 5.70 | 8.6 | Dec-25 | 31.3 | 28.5 | 24.4 | 1.1 | 7.5 | 35,492 | 2.1 |

**2025A/2026E/2027E refers to FY26/FY27F/FY28F*
*Source: UOB Kay Hian*

- **Serviced apartment pricing has held up, despite rising inventory.** NAPIC data showed residential inventory units rising only 2% yoy in 1Q26, but unsold serviced apartments increased (+41% yoy), mainly in KL (+38%), Selangor (+50%) and Johor (+34%). We believe this could reflect a combination of new launches, affordability constraints, end-financing loan rejections, and unreleased bumi lots. Affordability pressure was visible in the RM500,000-700,000 price band, where transaction volume fell by a steeper 12% yoy amid lower mortgage approval rates. That said, house prices remained resilient, with the Malaysian House Price Index rising 2% yoy in 1Q26, while high-rise and terraced house prices in Selangor, Penang and Johor grew 1-5% yoy.
- **Higher-for-longer risk remains the key wild card, though the impact should be gradual.** Cost pressures have remained manageable so far, with developers guiding for low-to-mid single-digit increases in blended construction costs for new projects. This is partly supported by contained steel prices, a key construction input, amid structural industry overcapacity. That said, we do not rule out a gradual costs spillover into other material costs, should elevated diesel prices persist. Given limited full cost pass-through to residential buyers amid affordability constraints, we prefer developers with stronger margin buffers, high unbilled sales and exposure to industrial products.

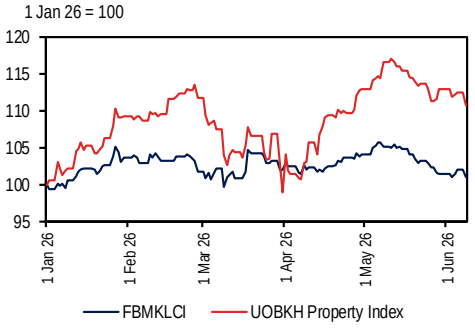
## Valuation/Recommendation

- **Maintain OVERWEIGHT.** The sector's valuation has retraced from the recent peak of 0.97x in late-Jan 26 to: a) 0.87x 12-month forward P/B (0.5SD above 10-year mean of 0.77x); and b) a 43% discount to RNAV (0.5SD below 10-year mean of 52%), due to the ongoing Iran conflict. Nevertheless, we keep our OVERWEIGHT stance on the sector, supported by: a) robust industrial momentum across Johor, Negeri Sembilan and Selangor; b) solid residential property sales; and c) asset monetisation catalysts through potential REIT listings. Top picks are: a) Eco World, supported by strong industrial exposure; and b) Lagenda, supported by above-industry margins and record-high unbilled sales.

## Sector Catalyst/Risk

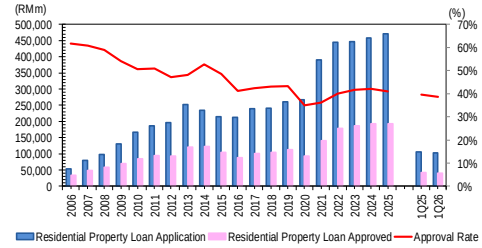
- **Key sector risks:** a) Unsuccessful execution of infrastructure- or property-related developments and negative newsflow, b) slower-than-expected take-up rates caused by macroeconomic uncertainty, c) spikes in building material costs, and d) impairments on receivables and completed inventories.

### UOBKH Property Index VS KLCI Ytd



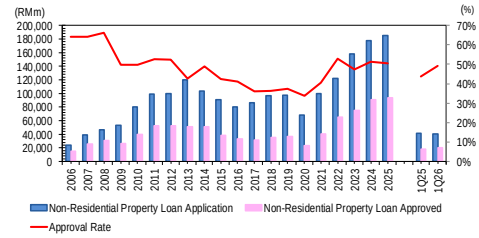

*Source: CEIC, NAPIC, UOB Kay Hian*

### Residential Property Loan Applications



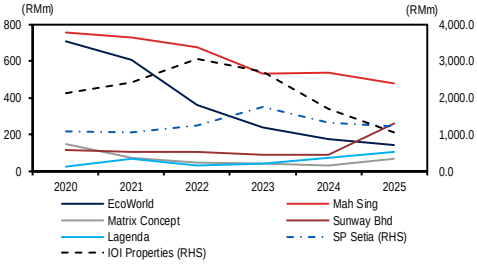

*Source: CEIC, BNM, UOB Kay Hian*

### Non-Residential Property Loan Applications




*Source: CEIC, BNM, UOB Kay Hian*

### Completed Inventories Trend




*Source: CEIC, BNM, UOB Kay Hian*

### Key Statistics As Of End-1Q26

| | Net gearing (x) | Unbilled sales (RMb) | Unbilled sales/property revenue (x) |
|---|---|---|---|
| Eco World* | 0.17 | 5.1 | 1.4 |
| IOIPG | 0.92 | 2.1 | 1.1 |
| Lagenda | 0.59 | 1.7 | 1.6 |
| Mah Sing | 0.39 | 3.3 | 1.7 |
| Matrix | 0.37 | 1.5 | 1.2 |
| SP Setia | 0.30 | 4.3 | 1.0 |
| Sunway | 0.30 | 9.0 | 4.9 |

**as of end Jan 26*
*Source: Respective companies, UOB Kay Hian*

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